Highlights

Overview

This issue of the *Natural Gas Monthly* includes two special reports. The first report, "Next Generation * Natural Gas (NG)[2] Information Requirements Executive Summary," describes the draft set of data requirements developed by the Energy Information Administration to meet customer needs for information in the restructured natural gas industry. The second report, "Increasing Importance of Natural Gas Imports on the U.S. Marketplace," discusses the growth of natural gas imports in U.S. markets. Natural gas data estimates provided in this issue of the *Monthly* run through February 2000 for many data series at the national level. Estimates of natural gas prices are available through November 1999 for most series. Highlights of the data estimates contained in this issue are:

- Net storage withdrawals in February 2000 are 535 billion cubic feet, 29 percent lower than in January 2000, but significantly higher than in February of the previous 2 years.
- The daily rate of end-use consumption of natural gas for January through February 2000 is 1 percent higher than for the same period in 1999.
- The cumulative average wellhead price for January through November 1999 is $2.07 per thousand cubic feet, 6 percent higher than for the same period in 1998.

Supply

Dry natural gas production is estimated to be 1,501 billion cubic feet for February 2000, 51.8 billion cubic feet per day (Table 1) and nearly 2 percent less the daily rate for January 2000. However, cumulatively for the months of January and February, production is estimated to be 3,132 billion cubic feet, a daily rate of 52.2 billion cubic feet per day. This rate is nearly 1 percent higher than the daily rate of 51.9 billion cubic feet seen during the first 2 months of 1999.[1]

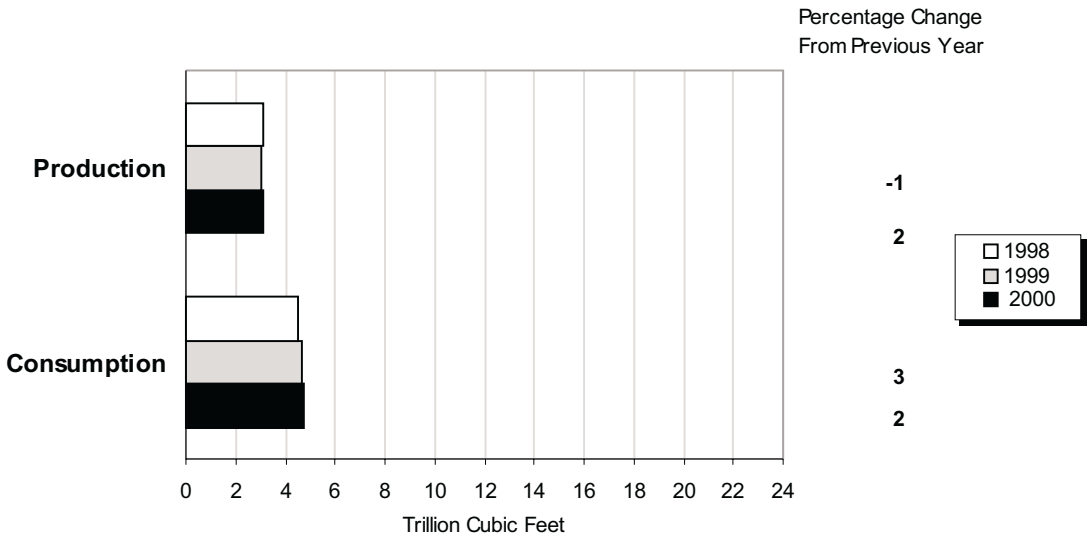
Cumulative net imports through February 2000 are estimated to be 612 billion cubic feet, 10 percent higher than cumulative net imports for the first 2 months of 1999. Net imports for February 2000 are estimated to be 300 billion cubic feet, 38 billion cubic feet or 15 percent larger than net imports for last February. Shipments of liquefied natural gas (LNG) from the Atlantic LNG project in Trinidad contributed to the increase. The first shipments from this facility reached the United States in May 1999. Also, there continues to be a high utilization rate of the U.S.-Canadian crossborder capacity.

With only 1 month of the 1999-2000 heating season left, there is an estimated 1,224 billion cubic feet of working gas in storage at the end of February, 568 billion cubic feet less than the level 1 year ago. Net withdrawals of natural gas from underground storage for February 2000 are estimated to be 535 billion

Beginning with the March issue of the *Natural Gas Monthly*, processing of the monthly natural gas underground storage survey will be done on a new computer system. Although we do not anticipate any processing delays other than those normally encountered, preparation of the storage tables may be delayed because of this transition. We apologize for any inconvenience.

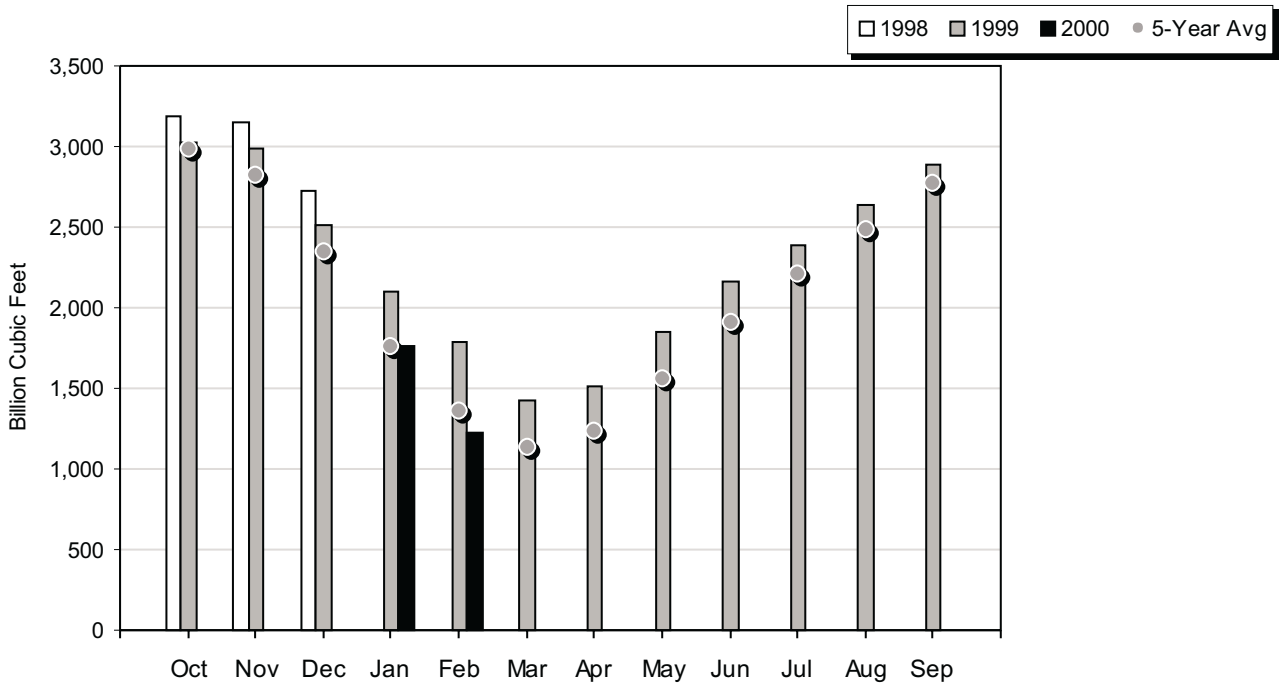
1 The period January through February 2000 includes 60 days because February is a 29-day month this year. In 1999, the period January through February included 59 days.

Figure HI1. Natural Gas Production and Consumption, January-February, 1998-2000



Source: Table 2.

Figure HI2. Working Gas in Underground Storage in the United States, 1998-2000



Note: The 5-year average is calculated using the latest available monthly data. For example, the December average is calculated from December storage levels for 1995 to 1999 while the January average is calculated from January levels for 1996 to 2000. Data are reported as of the end of the month, thus October data represent the beginning of the heating season.

Source: Form EIA-191, "Underground Natural Gas Storage Report," Form EIA-176, "Annual Report of Natural and Supplemental Gas Supply and Disposition," and Short-Term Integrated Forecasting System.

cubic feet. This is 215 billion cubic feet or 29 percent less than withdrawals in January 2000, which showed the second-largest monthly net withdrawal from storage ever. However, net withdrawals for February 2000 are considerably higher than net withdrawals during February 1999 and 1998 (61 and 84 percent higher, respectively) when temperatures were generally warmer than normal.

End-Use Consumption

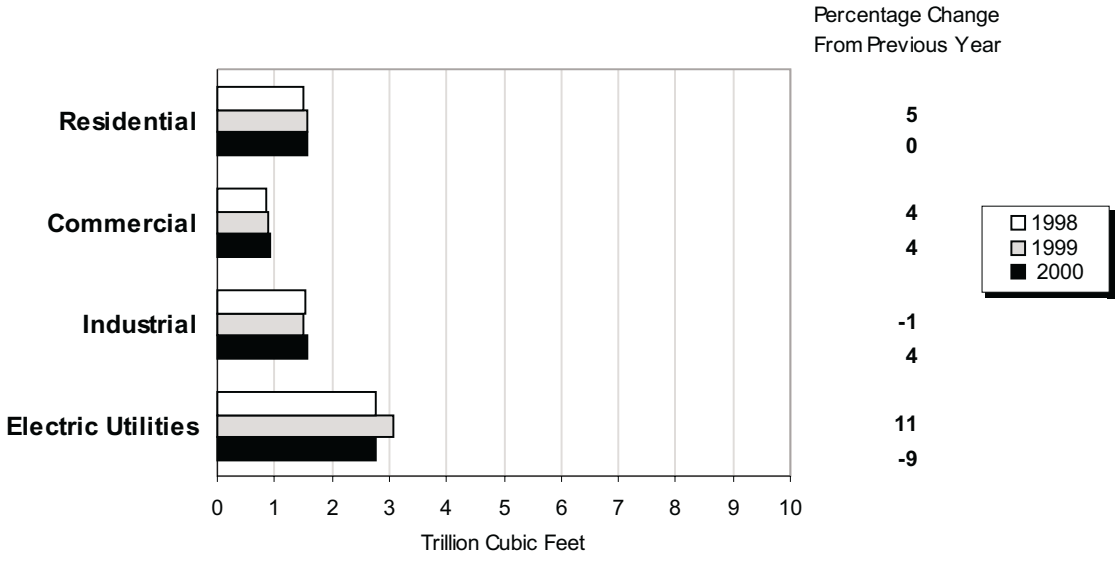
Cumulatively for January through February 2000, end-use consumption of natural gas is estimated to be 4,418 billion cubic feet or 73.6 billion cubic feet per day, 1 percent above the daily rate for the first 2 months of 1999 (Table 3). Even though cold weather settled into the Midwest and Northeast from mid-January through early February, residential consumption of natural gas during the first 2 months of 2000 is somewhat lower than in 1999. Cumulative residential consumption for January through February 2000 is estimated to be 1,582 billion cubic feet or 26.4 billion cubic feet per day, 2 percent lower than the daily rate for the same period in 1999. In contrast to the residential sector, the daily rate of natural gas consumption in both the commercial and industrial sectors was 2 percent higher for January through February 2000 compared with the first 2 months of 1999. In the electric utility sector, where monthly data are available only through November 1999, cumulative consumption of natural gas for January through November is estimated to be 2,951 billion cubic feet, 4 percent lower than for the same period in 1998 (Figure HI3).

The rise in fuel oil prices this winter has raised concerns about whether fuel oil demand was significantly affected by natural gas customers switching to oil, especially in the Northeast. Some large-volume energy consumers, lacking a contract for firm gas service year-round, purchase fuel oil when their gas service is interrupted. Questions about the diversity of fuels available in the Northeast and the impact of gas service interruptions will be the focus of two studies currently underway at the Department of Energy. The Energy Information Administration will support these efforts by examining issues related to the natural gas and fuel oil markets. The first report is expected to be available by late April 2000.

Prices

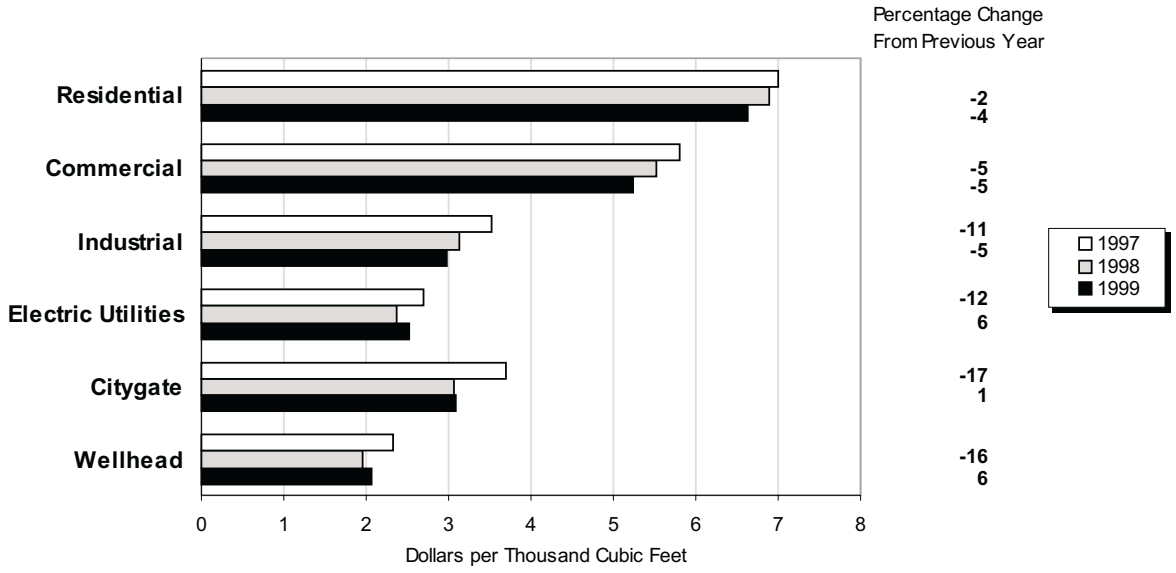
The cumulative average wellhead price for January through November 1999 is higher than in 1998, yet most end-use prices are lower than in 1998 (Figure HI4). The national average wellhead price for January through November 1999 is estimated to be $2.07 per thousand cubic feet, 6 percent higher than in

Figure HI3. Natural Gas Delivered to Consumers, January-February, 1998-2000



Note: Electric utilities reflect January-November deliveries for 1997-1999.
Source: Table 3.

Figure HI4. Average Delivered and Wellhead Natural Gas Prices, January-November, 1997-1999



Note: Commercial and industrial average prices reflect onsystem sales only. The reporting of electric utility prices is 1 month behind the reporting of other prices.
Source: Table 4.

1998 (Table 4). The wellhead price actually began the year below the levels seen in 1998, but the 1999 monthly average has been at least 25 percent higher than the 1998 level since August. The November 1999 estimate of $2.44 per thousand cubic feet is 26 percent above the November 1998 level.

The cumulative average price paid for natural gas by residential users for January through November 1999 is estimated to be $6.63 per thousand cubic feet, 4 percent lower than in 1998. The prices paid by the commercial and industrial[2] sectors during the same period are both 5 percent lower than in 1998. The average commercial price for January through November 1999 is estimated to be $5.23 per thousand cubic feet while the industrial estimate is $2.98 per thousand cubic feet.

The electric utility sector paid an estimated average $2.53 per thousand cubic feet for natural gas for January through October 1999. While this is 6 percent higher than during the same period in 1998, it is 6 percent lower than during 1997.

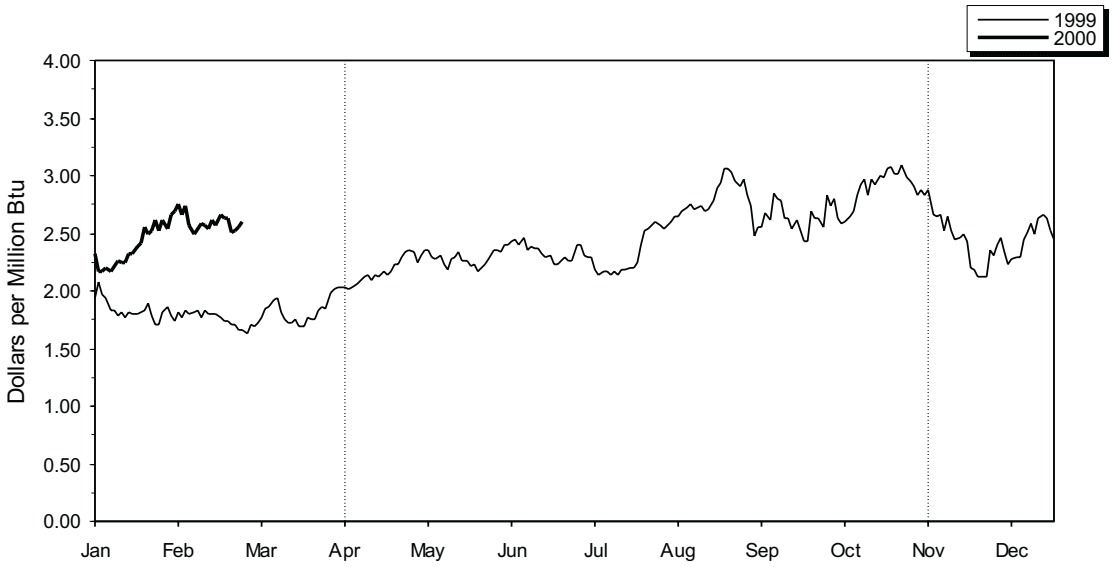
Lower storage levels at the end of February 2000, compared with last year, contributed to closing prices on the New York Merchantile Exchange (NYMEX) futures market at the Henry Hub that were nearly the same for both the February and March delivery contracts. The February contract closed at $2.610 per million Btu on January 27, while the March contract closed at $2.603 per million Btu on February 25. The difference between the two closing prices is usually somewhat larger, with the March closing price being below that of the February contract.

The closing price on the March 2000 contract was nearly $1.00 per million Btu above that of the March 1999 contract (Figure HI5). Differences in storage levels and the price of crude oil during the early months of the year contributed to the different futures price levels. In early 1999, West Texas Intermediate crude

2 End-use prices in the residential, commercial, and industrial sectors are for onsystem gas sales only. While monthly onsystem sales are nearly 100 percent of residential deliveries, during 1999 they have ranged from 54 to 73 percent of commercial deliveries and only 15 to 18 percent of industrial deliveries (Table 4).

oil was selling for about $12.00 per barrel, and there was 1,792 billion cubic feet of working gas in storage at the end of February. In early 2000, the West Texas oil price reached $30.00 per barrel by late February, near to a 9-year high for these prices, and there was 1,224 billion cubic feet of working gas by the end of the month.[3]

Figure HI5. Daily Futures Settlement Prices at the Henry Hub



Note: The futures price is for the near-month contract, that is, for the next contract to terminate trading. Contracts are traded on the New York Mercantile Exchange. April 1 is the beginning of the natural gas storage refill season. November 1 is the beginning of the heating season.

Source: Commodity Futures Trading Commission, Division of Economic Analysis.

3 Energy Information Administration, *Natural Gas Weekly Market Update*. http://www.eia.doe.gov (February 28, 2000).